



Winsome Resources Limited (WR1.ASX)

Top 5 largest lithium pegmatite resource in North America

Event:

- Maiden mineral resource estimate.

Investment Highlights:

- Maiden resource of 59Mt from only 27% of the drilling target.** WR1 recently announced a maiden inferred JORC resource estimate (MRE) at Adina of 59Mt @ 1.12% Li₂O at a 0.6% cut-off grade (1.6Mt LCE). This exceeds our expectations of 45Mt @ 1.3% Li₂O (1.4Mt LCE). The MRE is based on 27,625m (93 holes) of drilling, which is only 27% of the drilling target of over 100,000m.
- MRE upgrade in 1H24.** Adina has five rigs now operating with >25,000m more drilling awaiting assay targeted in early 2024 to support an MRE upgrade, which may result in higher grades and increased confidence to Indicated. Another 50,000m drill program in 2024 set to grow the resource further. This will enable WR1 to test the continuity across the 3.1km strike from Adina South West to Adina East as the MRE was based on only 1.3km strike. Beyond that, the Ridge Zone, Adina Far East and Jackpot present even further significant upside.
- Huge resource growth to offer plenty of upside.** The MRE put Adina to be the top 5 largest lithium pegmatite resource in North America, with the potential to further unearth over 100Mt making it one of the largest deposits globally. Adina Main and Footwall Zones remain open to the east and west along strike, up-dip to the north, and at depth. Both zones have the potential to be developed as one large mining operation. The Main Zone (49% of MRE) is largely close to surface, which will support the first few years of mining with low strip ratio.
- On track to production.** WR1 conducted an accelerated drilling campaign that has seen the company deliver the impressive MRE within just 14months from the commencement of drilling. Going into 2024, WR1 is working towards (1) MRE upgrade; (2) metallurgical testwork; (3) PEA; (4) environmental baseline and infrastructure studies; and (5) initial process engineering planning. WR1 is comfortably funded with \$60M cash to complete the drilling required to expand Adina's resource and initial project studies.
- Significantly undervalued.** When comparing WR1's valuation to its hard rock lithium explorer peers based off its EV/Resource LCE, WR1 is one of the cheapest. Based on this MRE, WR1 is trading at only around \$61/t LCE - under that of peers of \$224/t LCE, implying ample upside if the company delivers. We believe WR1's resource is going to increase with a higher level of confidence at the next resource upgrade in 1H24, and the market will gain a clearer understanding of the vast size of Adina's deposits.

Earnings and Valuation:

- No material changes to forecast NPAT or risked valuation of \$3.80 (0.4x NPV₁₀).

Recommendation:

- We maintain our Buy and 12-month price-target of \$3.80, based on risked valuation.
- Catalysts for share price include: 1) Adina further infill and extensional drilling; 2) Maiden Resource upgrade and PEA at Adina; and 3) progress at other projects such as Cancet and Tilly.

Disclosures

Foster Stockbroking and staff own 76,000 WR1 shares. Cranport Pty Ltd owns 431,740 WR1 shares. Foster Stockbroking received fees from its role as Co-manager to the \$19M flow-through placement of WR1 shares at \$4.18 and \$26M placement of WR1 shares at \$2.00 in February 2023, and from its participation in the \$34M flow-through placement of WR1 shares at \$2.38 in October 2023.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	\$ 3.80
Previous	\$3.80
Share price (A\$)	\$0.86
ASX code	WR1
52 week low-high	\$0.85-2.52
Valuation - risked (A\$/share)	\$ 3.80
Methodology	NPV10
Capital structure	
Shares on Issue (M)	186
Market cap (ASM)	160
Net cash (debt) (ASM)	60
Diluted EV (ASM)	100
Ave daily volume ('000)	1,893
Substantial shareholders	%
Waratah Capital Advisors	12.7%
Board	
Stephen Biggins	Non-Executive Chairman
Chris Evans	Managing Director
Dr Qingtao Zeng	Non-Executive Director
Justin Boylson	Non-Executive Director

Share price graph



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